

HOUSING AUTHORITY OF ABBEVILLE

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED JUNE 30, 2002

Mike Estes, P.C.
A Professional Accounting Corporation

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MEMBER
AMERICAN BOARD CERTIFIED
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Independent Auditor's Report

Board of Commissioners
Housing Authority of Abbeville
Abbeville, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Abbeville, Louisiana at and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Abbeville, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Abbeville, Louisiana as of June 30, 2002, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2002 on our consideration of Housing Authority of Abbeville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Abbeville, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
November 25, 2002

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
ENTERPRISE FUNDS
COMBINED BALANCE SHEET

YEAR ENDED JUNE 30, 2002

ASSETS

Current assets	
Cash and cash equivalents	\$ 81,242
Investments	86,959
Accounts receivable (net of allowance for doubtful accounts of \$110)	31,288
Interest receivable	202
Interfund receivable	26,025
Prepaid items and other assets	33,138
Inventory	2,099
	<hr/>
Total Current Assets	260,953
	<hr/>
Restricted Assets	
Tenant deposits	21,120
	<hr/>
Fixed Assets	
Land, buildings, and equipment (net)	751,894
	<hr/>
TOTAL ASSETS	<u>1,033,967</u>

LIABILITIES AND FUND EQUITY

Current Liabilities	
Accounts payable	1,636
Compensated absences payable	5,811
Interfund payable	26,025
Accrued PILOT	11,258
	<hr/>
Total Current Liabilities	44,730
	<hr/>
Current Liabilities Payable from Current Restricted Assets	
Deposits due others	21,120
	<hr/>
Noncurrent Liabilities	
Compensated absences payable	3,752
	<hr/>
Total Liabilities	69,602
	<hr/>
Fund Equity	
Contributed capital	640,988
Retained earnings:	
Unreserved	323,377
	<hr/>
Total Fund Equity	964,365
	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,033,967</u>

The Notes to the Financial Statements are an integral part of these statements.

EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2002

OPERATING REVENUES	
Dwelling rental	\$ 230,288
Total revenues	<u>230,288</u>
OPERATING EXPENSES	
Administration	149,458
Utilities	116,612
Ordinary maintenance & operations	159,534
General expenses	67,850
Nonroutine maintenance	27,849
Depreciation	<u>149,889</u>
Total operating expenses	<u>671,192</u>
Income (loss) from Operations	<u>(440,904)</u>
Non operating revenues (expenses)	
Interest earnings	4,516
Federal grants	<u>347,732</u>
Total Non-operating revenues (expenses)	<u>352,248</u>
NET INCOME (LOSS)	(88,656)
Depreciation on fixed assets acquired by contribution	<u>149,889</u>
Increase in retained earnings	<u>61,233</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>262,144</u>
RETAINED EARNINGS AT END OF YEAR	<u>323,377</u>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	790,877
Depreciation transferred from retained earnings	<u>(149,889)</u>
CONTRIBUTED CAPITAL AT END OF YEAR	<u>640,988</u>
FUND EQUITY, END OF YEAR	<u>\$ 964,365</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (440,904)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	149,888
Changes in operating current assets and liabilities:	
Increase in accounts receivables	(23,581)
Decrease in interest receivable	315
Increase in interfund receivables	(19,886)
Increase in prepaid items and other assets	(4,579)
Increase in inventory	(564)
Decrease in accounts payables	(6,146)
Decrease in deposits due others	(44)
Increase in accrued PILOT	1,408
Increase in interfund payable	19,986
Decrease in liability for compensated absences	(3,871)
	<hr/>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	(327,978)
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	310,654
	<hr/>
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	310,654
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	37,078
Construction costs and purchase of equipment	(45,806)
	<hr/>
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(8,728)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(3,404)
Decrease in restricted assets	44
Interest earnings	4,516
Increase in compensated absences	3,652
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,808
	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,244)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	102,486
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 81,242
	<hr/>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

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The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general-purpose financial statements of the Housing Authority of the City of Abbeville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the City of Abbeville, serve staggered multi-year terms.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had 156 units in Low Rent management in four projects.

Program	Contract Number	Number Of Units
PHA owned housing	FW-1087	156

B. REPORTING ENTITY GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the City of Abbeville since the City of Abbeville appoints a voting majority of the Housing Authority's governing board. The City of Abbeville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

impose financial burdens on, the City of Abbeville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Abbeville.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

C. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

D. BUDGETS

General Budget Policies The following summarizes the budget activities of the Housing Authority during the year ended June 30, 2002:

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

E. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Housing Authority may invest in United States bonds, treasure notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are state at the lower of market or cost.

F. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. INVENTORY AND PREPAID ITEMS All inventory items are valued at cost using first-in, first-out method. Inventory is recorded using the purchase method. At year-end the amount of inventory is recorded for external financial reporting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

I. FIXED ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

J. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. FUND EQUITY Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

L. DEFERRED REVENUES The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

M. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts off revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS At June 30, 2002 the Housing Authority has Cash equivalents, and investments totaling \$189,321 as follows:

Cash on hand	\$	100
Demand deposits		102,262
Time deposits		86,959
Total	\$	<u>189,321</u>
Cash and cash equivalents	\$	81,242
Cash and cash equivalents – restricted		21,120
Investments		86,959
Total	\$	<u>189,321</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2002, the Housing Authority's carrying amount of deposits was \$189,221 and the bank balance was \$204,084. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1). The remaining \$104,084 was collateralized with securities held by the pledging financial institution's trust department or agent but in the Housing Authority's name (GASB Category 2).

Investments during the year were solely in time deposits at banks.

NOTE 3 – RECEIVABLES the receivables of \$31,288 at June 30, 2002, are as follows:

<u>Class of Receivables</u>		
Local sources		
Tenants	\$	3,137
Other		2,126
Federal sources:		
Grants		26,025
Total	\$	<u>31,288</u>

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

NOTE 4 – FIXED ASSETS The changes in general fixed assets are as follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Land and buildings	\$ 4,015,630	\$ 127,790	\$ 0	\$ 4,143,420
Furniture and equipment	218,289	18,249	0	236,538
Construction in progress	135,638	0	100,233	35,405
Total	4,369,557	146,039	100,233	4,415,363
Less: accumulated depreciation				
Buildings	3,359,104	133,699	0	3,492,803
Furniture and equipment	154,476	16,190	0	170,666
Total	3,513,580	149,889	0	3,663,469
Fixed assets, net	\$ 855,977	\$ (3,850)	\$ 100,233	\$ 751,894

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in the Housing Renewal and Local Agency Retirement Plan which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make a monthly contribution equal to 6 percent of his effective compensation, and may make a voluntary, additional contribution. The employer is required to make monthly contributions equal to 8½ percent of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

The Housing Authority's contributions were calculated using the base salary amount of \$41,976. The Housing Authority made the required contributions of \$5,963 for the year ended June 30, 2002, of which \$3,568 was paid by the Housing Authority and \$2,396 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

NOTE 6 – ACCOUNTS PAYABLE The payables of \$1,636 at June 30, 2002, are as follows:

Trade payables	\$	893
Payroll withholdings		743
	\$	<u>1,636</u>

NOTE 7 – COMPENSATED ABSENCES At June 30, 2002, employees of the Housing Authority have accumulated and vested \$9,563 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made. \$5,811 is deemed current, the remainder is long-term.

NOTE 8 – COMMITMENTS AND CONTINGENCIES The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996. These programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES At June 30, 2002, the Capital Fund owes the Low Rent program \$26,025.

SUPPLEMENTARY INFORMATION

HOUSING OF THE CITY OF ABBEVILLE
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED JUNE 30, 2002

1. The Actual Modernization Costs are as follows:

	<u>Project 1999</u>
Funds approved	\$ 273,027
Funds expended	<u>273,027</u>
Excess of funds approved	<u><u>0</u></u>
 Funds advanced	 \$ 273,027
Funds expended	<u>273,027</u>
Excess of funds advanced	<u><u>0</u></u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated January 31, 2002 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED JUNE 30, 2002

CASH BASIS

	2000 <u>Capital Funding</u>	2001 <u>Capital Funding</u>
Funds approved	\$ 294,068	\$ 300,044
Funds expended	<u>127,700</u>	<u>3,150</u>
Excess of funds approved	\$ <u>166,368</u>	\$ <u>296,894</u>
 Funds advanced	 \$ 127,700	 \$ 3,150
Funds expended	<u>101,675</u>	<u>3,150</u>
Excess of funds advanced	\$ <u>26,025</u>	\$ <u>0</u>

The Notes to the Financial Statements are an integral part of these statements.

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Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Abbeville
Abbeville, Louisiana

We have audited the compliance of the Housing Authority of Abbeville, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Housing Authority of Abbeville, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Abbeville, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Abbeville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Abbeville, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Abbeville, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Abbeville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. The results of our auditing procedures disclosed no instances of non compliance that are required to be reported in accordance with OMB Circular No. A-133.

Internal Control Over Compliance

The management of The Housing Authority of Abbeville, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Abbeville, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.
Fort Worth, Texas
November 25, 2002

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of Abbeville
Abbeville, Louisiana

We have audited the financial statements of the Housing Authority of Abbeville, Louisiana as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Abbeville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Abbeville, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be

material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.
Fort Worth, Texas
November 25, 2002

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	GRANT ID #	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development			
Direct Programs:			
Low-Income Housing Operating Subsidy	14.850		260,526
Major Program Total			260,526
Comprehensive Improvement			
Assistance Program	14.852		38,404
Non Major Program Total			38,404
Public Housing Capital Fund	14.872		42,763
Non Major Program Total			42,763
Total Non Major Program			81,167
Total Federal Awards			341,693

Total Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2002

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Abbeville, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 260,526
CIAP	38,404
Capital Fund	<u>42,763</u>
Total	\$ <u>341,693</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2002

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed *by Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards* to the financial statements.

Audit of Federal Awards

- iv. There were no reportable condition required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .520(a).
- vii. The major federal programs are:

CFDA# 14.850

Public and Indian Housing – Low Rent Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF THE CITY OF ABBEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2002

Prior Audit Findings and Questioned Costs

The prior audit contained two audit findings. One was that the PHA did not obtain competitive bids in three instances although she attempted to do so. The largest expenditure of the three was \$26,937. The amounts of all three were reasonable.

No exceptions of this type were noted in the current year. This finding is cleared.

The second prior year finding was that overtime, or payment for after hours work, approved by the Board, was paid to each of the PHA's full time employees. Payroll taxes were not withheld – their payments were tested as contract labor.

This finding is cleared in the current year.

Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133, Section .510(a):

Current Audit Findings

None

HOUSING AUTHORITY OF ABBEVILLE
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED JUNE 30, 2002

	ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
<u>Low Rent</u>				
1 Accrued compensated absences	322	8,100		
2 Accrued compensated absences - long-term	354		8,100	
To reclass to long-term				
3 Investments	131	86,959		
Cash	111		86,959	
To reclass				
4 Accrued compensated absences - long term	354	4,348		
Compensated absences	914		4,348	
To adjust to actual				
<u>CIAP</u>				
1 HUD contributions	504	89,812		
Retained earnings	512		89,812	
2 Operating grants	706	17,554		
Prior year	1104		17,554	
To reclass various amounts				
<u>Capital Fund</u>				
1 Net HUD contribution	504	3,087		
Retained earnings	512		3,087	
To reclass equity amount				